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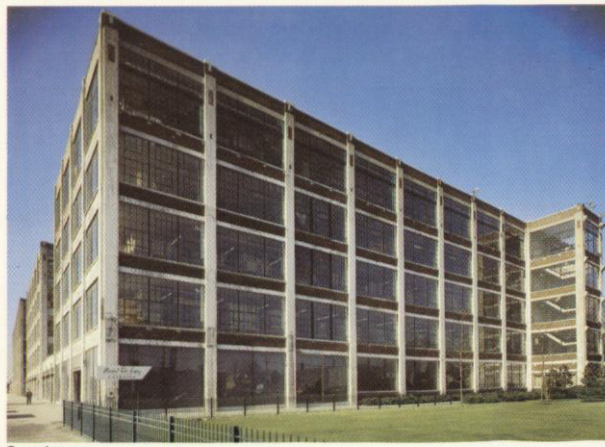
ANNUAL REPORT
OF
MARSHALL FIELD & COMPANY
YEAR ENDED JANUARY 31, 1969

THIS IS THE STORE

Marshall Field & Company's downtown Chicago store is world-famous. One of the largest retail selling facilities anywhere, it has also been described as the most beautiful. On this page and on the inside back cover are recent views of the store, exterior and interior. Upper right is the store itself, as much a part of Chicago as its skyline. At right is the

middle State Street entrance with its distinctive columns. At left is one of our delivery trucks, a familiar sight in and around Chicago. Below are two views of the Chicago Stores Division's new Service Center, showing the building itself and one of the stock areas. In addition to selling areas, operating facilities are, of course, equally important in providing service to our customers.

(*continued on inside back cover*)



Service Center

MARSHALL FIELD & COMPANY

founded in 1852
an Illinois corporation
incorporated in 1901

executive offices:

111 NORTH STATE STREET, CHICAGO, ILLINOIS 60690

1968
ANNUAL REPORT TO SHAREHOLDERS

THE STORY IN BRIEF

(in thousands of dollars)

	Fiscal Year	
	1968	1967
Net Sales	$359,644	$346,183
Income before Federal Taxes	33,132	31,449
Net Income	16,228	16,677
Per Share	3.98	4.10
Dividends Declared	8,149	8,129
Per Share	2.00	2.00
Net Income Retained	8,079	8,548
Accounts Receivable	53,279	49,760
Merchandise Inventories	56,698	55,368
Working Capital	84,481	80,432
Capital Expenditures—		
Modernization and Replacement	3,287	3,372
Expansion	6,939	5,730
Depreciation	5,467	5,276
Shareholders' Equity	149,258	141,021
Per Share	36.62	34.65

REPORT TO SHAREHOLDERS

The Board of Directors of Marshall Field & Company submits to the Shareholders this annual report for the fiscal year ended January 31, 1969.

The 1968 results for your Company showed sales volume advancing for the eighth consecutive year to a record high. Earnings, adversely affected by the 10 per cent Federal surtax and nonrecurring opening expenses for a new shopping center store, were slightly below last year, but they were the second highest in the Company's history.

Net Sales for the year of $359,644,000 were $13,461,000 or 3.9 per cent greater than last year's volume of $346,183,000.

Net Income in 1968 was $16,228,000, 2.7 per cent lower than the 1967 total of $16,677,000. Earnings per Common Share were $3.98 compared with $4.10 in the preceding year. The 10 per cent Federal surtax reduced income 38 cents per share. The investment credit provided by Federal income tax laws increased earnings by $130,000 in 1968 and $114,000 a year earlier. The Company follows the policy of amortizing the investment credit over the depreciable life of the equipment involved.

Income before Federal Taxes in 1968 rose to a new high of $33,132,000, equal to 9.2 per cent of sales, compared with $31,449,000, or 9.1 per cent of sales in 1967.

Dividends per Common Share were paid during the year at the rate of $2.00, the same as in 1967.

Amendments to the Articles of Incorporation have been proposed by the Board of Directors for submission to the shareholders for approval. The amendments, if approved, would increase the presently authorized 8,000,000 Common Shares to 20,000,000 and would effect a two-for-one split of the outstanding Common Shares. Also, the presently authorized but unissued Cumulative Preferred Shares would be increased from 150,000 to 1,000,000 shares and certain provisions thereof would be changed including their par value from $100 to $1.00 per share.

These amendments require the approval of the holders of two-thirds of the Common Shares outstanding. Shareholders of record at the close of business on March 28, 1969 will be entitled to vote. If approval is obtained at our annual shareholders' meeting on May 7, 1969, each Common shareholder will receive as soon thereafter as practicable one additional Common Share for each share he holds of record at the close of business on the date the amendments become effective, which is expected to be May 14, 1969.

A more complete description of the proposed amendments and their purpose will be included in the proxy statement for the annual shareholders' meeting expected to be mailed on or about April 7, 1969. Currently there are no definite plans for issuance of any of the authorized Preferred Shares or of the Common Shares remaining unissued following the stock split.

The Board of Directors has announced that it plans to increase the next quarterly cash dividend on the Common Shares from 50 cents to 55 cents per share on the shares outstanding before the split. This would make the new annual rate on those shares $2.20 compared to the current rate of $2.00 per share. The first quarterly dividend at the new rate is expected to be paid on May 31 to shareholders of record at the close of business on May 6, 1969. If the proposed split is approved by shareholders, the new quarterly dividend rate would be the equivalent of 27½ cents on the shares which would be outstanding after the split or $1.10 per share annually.

The Board of Directors believes the proposed split will make the Common stock more attractive to investors, improve its marketability and widen its distribution. The increase in the number of authorized Common and Preferred Shares will provide additional flexibility and enlarge the Company's potential financial capacity for future growth and expansion.

The Retirement Program of the Company was amended by approval of the shareholders at a special meeting on October 9, 1968. The effect of the amendment was to consolidate existing Pension and Annuity Plans into one Retirement Plan and eliminate the need for amendment each time the Social Security Act changes. The new plan provides the Company with a simpler, more modern program.

Total Retirement Program expense for 1968 was $2,700,000 compared with $2,648,000 in 1967. Benefits have been paid to 6,457 retired employes since the Company established the program in 1943.

Progress in 1968 included the opening on July 31 of the Frederick & Nelson Southcenter store in suburban Seattle. This new unit of 175,000 square feet, part of an enclosed mall shopping center, adds a third suburban store to our west coast operation. During the year the air conditioning of the downtown Frederick & Nelson store was finished.

In the Chicago Stores Division some 40,000 square feet of space has been added to Oakbrook's selling facilities and will be fully operational this spring, increasing this store's total area to 375,000 square feet. In the main store the modernization and improvement of selling areas continued and several new shops and boutiques were added. The modernization and automation of 32 passenger elevators has been completed, and the remodeling of the 18 entrances to this store will be finished this year. Consolidation of all our Chicago area operating and warehousing services into the 1,500,000-square-foot Service Center was concluded, and this facility is now in full operation.

Plans for the Year Ahead include the completion of a new consolidated warehouse and service center for the Frederick & Nelson Division in Seattle. The building is located in an industrial park near the new Southcenter store.

The next addition to the Chicago Stores Division will be a major outlying store in an enclosed mall regional shopping center serving the northwest suburban area. Architectural and design planning is in progress, and construction is expected to begin within the year. Locations for two additional Chicago metropolitan area stores are under consideration as a part of our expansion program. Modernization and improvement projects for existing store properties are underway to make them more efficient and keep them up-to-date. In the main Chicago store these include the reconstruction and refixturing of the collectors' galleries and fine food shops. Both expansion and

improvement programs are a part of the Company's continuing effort to serve customers with the most convenient and attractive facilities that can be provided.

Sales and Profit performances in all of our stores were satisfactory last year although from mid-year the flattening out generally of retail trade was apparent. Customer response to our new Southcenter store in Seattle was gratifying. Profit for the Frederick & Nelson Division, while not at a record level, was good. In the Chicago area the expanded Oakbrook store did well; Old Orchard continues to increase its sales; and our River Oaks store had another year of significant growth. The Mayfair store marked its tenth year serving the Milwaukee area with record sales, and in the years ahead we anticipate continuation of this trend. Results for the Chicago Stores Division as a whole were highly satisfactory, showing firm expense control to offset some slackening in the rate of sales increase.

Probably the most significant development in sales is the increasing share of our total volume being done in our outlying stores. Meanwhile, our main stores in downtown Chicago and Seattle in size and sales continue as outstanding retail establishments in their markets. Dramatic redevelopment characterizes both metropolitan centers and suggests increased potential for future downtown business.

Prospects for 1969 for your Company obviously depend in part on the course of the national economy. The year began with business activity at a high level although inflationary pressures continue to be felt on costs and expenses.

The level of business activity in the months ahead will be determined partly by the policies of the new national administration, especially the degree of fiscal and monetary restraint imposed to curb inflation. Equally important will be the policies pursued with regard to other domestic issues and international problems.

While one can never be certain about the future, your Company continues to be in a strong position and present indications are that 1969 will be another good year.

Administrative Changes made recently include the election of Mr. Donald K. Keith to a new corporate position, Vice President-Development. His office will serve to coordinate activities relating to the Company's future growth and expansion.

Mr. Leslie L. Waters, manager of our New York buying office, was named a vice president.

Early this year Mr. Leonard R. Capulli, manager of home furnishings, and Mr. Ben E. Ryan, manager of the Store for Men, were appointed merchandising vice presidents in the Chicago Stores Division.

As usual the past year was marked by the loyalty of our customers, the helpfulness of our suppliers, the dedication and effort of our associates in the business and the interest of our many shareholders. For all of this, we are truly appreciative.

By Order of the Board of Directors,

G. A. Sivage

President

MARCH 20, 1969

MARSHALL FIELD & COMPANY
INCOME STATEMENT

	Fiscal Year Ended January 31, 1969	Fiscal Year Ended January 31, 1968
NET SALES	$359,644,286	$346,182,585
DEDUCT:		
Cost of goods sold and expenses, exclusive of items listed below	$307,746,513	$296,202,284
Maintenance and repairs	3,117,908	3,302,727
Depreciation (straight-line method)	5,467,214	5,276,024
Taxes other than Federal income taxes	8,577,679	8,086,691
Rentals paid	1,477,160	1,405,531
Net interest expense	125,843	460,325
Total costs (Note 1)	$326,512,317	$314,733,582
INCOME BEFORE FEDERAL INCOME TAXES	$ 33,131,969	$ 31,449,003
Federal income taxes (including net deferred taxes of $723,000 and $576,000, respectively)	16,904,000	14,772,000
NET INCOME	$ 16,227,969	$ 16,677,003
NET INCOME PER COMMON SHARE	$ 3.98	$ 4.10

NOTES TO FINANCIAL STATEMENTS

(1) Total costs as reported to the Securities and Exchange Commission are classified as follows:

Cost of goods sold, buying and occupancy expenses	$251,485,303	$242,840,515
Selling, general and administrative expenses	74,901,171	71,432,742
Net interest expense	125,843	460,325
	$326,512,317	$314,733,582

(2) The retirement plan covers, subject to certain length-of-service requirements, substantially all full-time employes. It is the Company's present policy to charge income annually with the cost of pensions earned by employes during the year. This charge is increased by interest on unfunded pension liability or decreased by amortization over a 20-year period of the excess of trust fund assets over pension liability, whichever is applicable. Retirement plan expense for the current year was $2,700,000. The Company's present policy is to fund currently each year's total expense.

(3) The Board of Directors has, subject to shareholder approval, proposed an increase in the number of authorized Cumulative Preferred Shares to 1,000,000 and Common Shares to 20,000,000, a change in the par value of each Cumulative Preferred Share to $1.00, and a two-for-one split of Common Shares effective in May, 1969.

EARNED SURPLUS

BALANCE AT JANUARY 31, 1968	$111,495,567
Net income	16,227,969
	$127,723,536
Cash dividends declared on Common Shares—$2.00 per share	8,149,402
BALANCE AT JANUARY 31, 1969	$119,574,134

SOURCE AND DISPOSITION OF FUNDS

	Fiscal Year Ended	
	January 31, 1969	January 31, 1968
SOURCE OF FUNDS:		
Net income	$16,227,969	$16,677,003
Depreciation	5,467,214	5,276,024
	$21,695,183	$21,953,027
Sales of Common Shares under options	158,090	273,348
Miscellaneous	571,345	325,875
	$22,424,618	$22,552,250
DISPOSITION OF FUNDS:		
Additions to property and equipment	$10,226,227	$ 9,102,125
Dividends to shareholders	8,149,402	8,129,112
	$18,375,629	$17,231,237
INCREASE IN WORKING CAPITAL	$ 4,048,989	$ 5,321,013

AUDITORS' REPORT

To the Shareholders of Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1969, and the related statements of income, earned surplus and source and disposition of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of income, earned surplus and source and disposition of funds present fairly the financial position of Marshall Field & Company as of January 31, 1969, and the results of its operations and the source and disposition of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 5, 1969

MARSHALL FIELD & COMPANY
BALANCE SHEET

ASSETS	January 31, 1969	January 31, 1968
CURRENT ASSETS:		
Cash	$ 7,237,641	$ 7,395,650
Short-term investments, at cost	11,655,230	8,400,781
Receivables from customers and others, less allowance for doubtful accounts of $951,000 at the end of each year	53,279,349	49,760,212
Merchandise inventories, priced at the lower of cost or market	56,697,599	55,367,985
Prepaid insurance, supply inventories, etc.	1,424,963	1,151,162
Total Current Assets	$130,294,782	$122,075,790
PROPERTY AND EQUIPMENT (at cost):		
Land	$ 19,630,269	$ 19,098,368
Buildings	84,580,908	81,756,854
Equipment	37,762,527	36,214,531
	$141,973,704	$137,069,753
Less accumulated depreciation	54,197,230	53,480,947
Net Property and Equipment	$ 87,776,474	$ 83,588,806
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$218,071,257	$205,664,597

LIABILITIES	January 31, 1969	January 31, 1968
CURRENT LIABILITIES:		
Accounts payable	$ 11,858,628	$ 11,968,220
Accrued Federal income taxes—Current	5,931,866	4,030,473
Deferred (net), including deferral for income on uncollected installment sales	4,054,578	3,332,034
Other accrued liabilities	23,968,588	22,312,930
Total Current Liabilities	$ 45,813,660	$ 41,643,657
3¾% NOTES, maturing from 1972 to 1982	$ 23,000,000	$ 23,000,000
SHAREHOLDERS' EQUITY (Note 3):		
Cumulative Preferred Shares—		
Authorized 150,000 shares of $100 par value, issuable in series; no shares issued.		
Common Shares—		
Authorized 8,000,000 shares of no par value. At January 31, 1968, options for 35,520 shares were outstanding and 104,980 shares were available for granting of options. During the year options were exercised for 5,020 shares, cancelled for 1,540 shares, and none were granted. At January 31, 1969, options for 28,960 shares were outstanding and exercisable currently at $23.27½ to $51.25 per share; 106,520 shares were available for granting of options.		
Issued and outstanding 4,075,446 shares at January 31, 1969, at stated value	$ 20,735,869	$ 20,577,779
Paid-in Surplus	8,947,594	8,947,594
Earned Surplus ($80,231,604 available for dividends on Common Shares under terms of 3¾% Notes)	119,574,134	111,495,567
Total Shareholders' Equity	$149,257,597	$141,020,940
	$218,071,257	$205,664,597

MARSHALL FIELD & COMPANY
TEN YEAR SUMMARY

(in thousands of dollars)

Fiscal Year	1968	1967	1966
Operating Results			
Net Sales	$359,644	$346,183	$325,369
Income before Federal Income Taxes	33,132	31,449	29,930
Per cent of Sales	9.2	9.1	9.2
Federal Income Taxes	16,904	14,772	14,178
Net Income	16,228	16,677	15,752
Per cent of Sales	4.5	4.8	4.8
Per Common Share (1)	3.98	4.10	3.88
Dividends Declared—			
Preferred Shares	—	—	—
Common Shares	8,149	8,129	8,122
Per Common Share (1)	2.00	2.00	2.00
Net Income Retained	8,079	8,548	7,630
Capital Expenditures—			
Modernization and Replacement	3,287	3,372	2,682
Expansion	6,939	5,730	7,253
Total	10,226	9,102	9,935
Depreciation	5,467	5,276	4,924
Financial Position			
Accounts Receivable	$ 53,279	$ 49,760	$ 45,895
Merchandise Inventories	56,698	55,368	51,934
Working Capital	84,481	80,432	75,111
Net Property and Equipment	87,776	83,589	80,089
Long-Term Debt	23,000	23,000	23,000
Common Shareholders' Equity	149,258	141,021	132,200
Per Common Share (1)	36.62	34.65	32.55

Notes: (1) Adjusted to reflect two-for-one stock split effective May 10, 1961.
(2) Excludes net gain on land sale of $2,250,000 equivalent to 56 cents per Common Share.
(3) At the end of the fiscal year 1964 accounts receivable were decreased approximately $12,500,000 as the result of the sale of all installment receivables pursuant to adoption in 1965 of the installment method of tax accounting.

1965	1964	1963	1962	1961	1960	1959
$306,034	$280,105	$256,615	$242,399	$235,723	$234,201	$234,339
28,246	24,497	19,040	18,490	18,317	17,881	18,437
9.2	8.7	7.4	7.6	7.8	7.6	7.9
13,416	12,056	9,672	9,329	9,210	9,021	9,250
14,830	12,441	9,368 (2)	9,161	9,107	8,861	9,187
4.8	4.4	3.7	3.8	3.9	3.8	3.9
3.66	3.09	2.33 (2)	2.26	2.25	2.21	2.25
—	—	—	41	199	201	312
7,505	6,658	6,036	5,623	5,572	4,907	4,922
1.85	1.65	1.50	1.40	1.40	1.25	1.25
7,325	5,783	3,332 (2)	3,497	3,335	3,752	3,953
3,027	3,177	2,100	2,187	1,993	1,770	1,998
6,274	1,759	4,377	4,137	6,987	755	157
9,301	4,936	6,477	6,324	8,980	2,525	2,155
4,954	4,760	4,518	4,325	4,120	3,971	3,866
$ 42,511	$ 25,621 (3)	$ 34,387	$ 30,086	$ 28,662	$ 28,694	$ 29,909
46,270	42,518	37,852	34,878	33,816	31,440	31,903
72,263	69,909	64,782	61,386	65,634	66,536	62,903
75,223	70,876	70,991	69,573	67,597	62,905	64,527
23,000	24,000	25,000	26,000	27,000	28,000	29,000
124,486	116,785	110,773	104,959	101,542	96,751	93,434
30.68	28.91	27.49	26.13	25.31	24.63	23.73

BOARD OF DIRECTORS

HARRY O. BERCHER
EDWARD McC. BLAIR
JOHN M. BUDD
KENT CHANDLER
DAVID W. DAVIDSON
HENRY P. ISHAM
HUGHSTON M. McBAIN
JOHN McKINLAY
HOWARD M. PACKARD
JAMES L. PALMER
GERALD A. SIVAGE

CORPORATE OFFICERS

GERALD A. SIVAGE	*President*
DAVID W. DAVIDSON	*Executive Vice President*
CLARENCE T. GREGG	*Senior Vice President*
CORNELIUS J. BYRNE	*Vice President*
RALPH E. BOWERS	*Vice President and Secretary*
GEORGE G. RINDER	*Vice President-Finance*
WILLIAM L. ENGLISH	*Vice President and Comptroller*
DONALD K. KEITH	*Vice President-Development*
EDWIN C. PARKER	*Assistant Treasurer*
ROBERT A. WILBRANDT	*Assistant Secretary*

DIVISION OFFICERS

Chicago Stores Division

WILLARD L. ARNOLD	*Vice President, Merchandising*
VERLE L. BARBER	*Vice President, Merchandising*
EINAR L. BJORKLUND	*Vice President, Merchandising*
ARTHUR D. BRADBURY	*Vice President, Merchandising*
JOSEPH A. BURNHAM	*Vice President, Operating*
LEONARD R. CAPULLI	*Vice President, Merchandising*
EDMUND J. DOERING	*Vice President, Merchandising*
CHARLES DUNLOP	*Vice President, Divisional Comptroller*
CHARLES W. FOLDS	*Vice President, Merchandising*
CARL D. GULDAGER	*Vice President, Advertising and Public Relations*
ARTHUR E. OSBORNE, JR.	*Vice President, Merchandising*
ASHTON OSBORNE	*Vice President, Merchandising*
BEN E. RYAN	*Vice President, Merchandising*
PAUL H. STROHM	*Vice President, Merchandising*
LESLIE L. WATERS	*Vice President, New York Office*

Frederick & Nelson Division

ROY S. LEIGHTON	*Vice President, Personnel*
W. ANDREW ROSS	*Vice President, Divisional Comptroller*
M. L. STORHOW	*Vice President, Operating*
JASPER UTZ	*Vice President, Merchandising*

Mayfair Division

ARNOLD D. K. MASON	*Vice President, Merchandising*

Real Estate Division

CHARLES M. RHODES	*Vice President, Real Estate*

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Chicago
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
New York

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
Chicago
BANKERS TRUST COMPANY
New York

General Counsel
WILSON & McILVAINE
Chicago

Public Accountants
ARTHUR ANDERSEN & CO.
Chicago

Field's Afar

The Globe Trotter Shop

Floor Coverings

Walnut Room Restaurant

A sampling of some of the distinctive features of the downtown Chicago store is shown here. They range from the main floor's Field's Afar shop of one-of-a-kind items to the Store for Men's Sportsman's Floor; from the Walnut Room restaurant on Seven to the exclusive 28 Shop on Six, with its newly-opened 28 Boutique; from the year-round Toy Center on the Fourth Floor to Trend House on Eight, a setting for fine home furnishings. They include traditional sections from Antique Silver on One to Floor Coverings on Nine. All represent Field's tradition of quality merchandise tastefully presented in the most elegant surroundings.

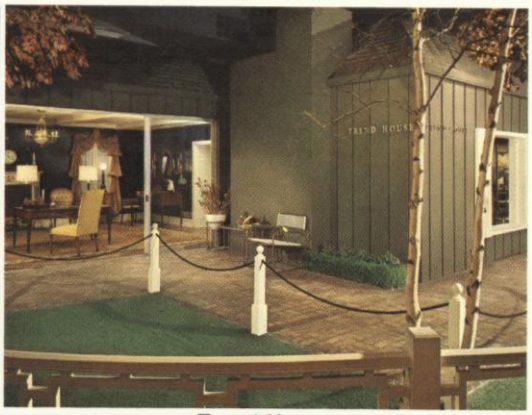
Antique Silver

Sportsman's Floor

Toy Center

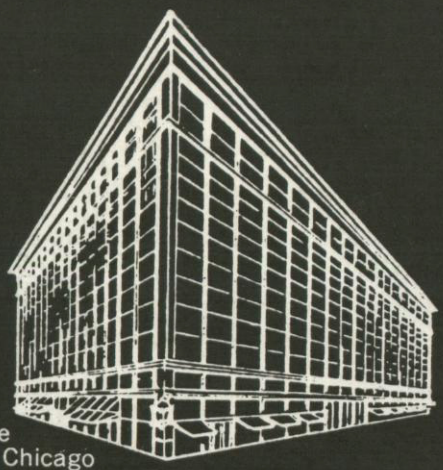
Decorating Galleries Display

The 28 Shop

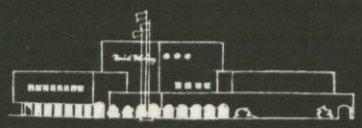


Trend House

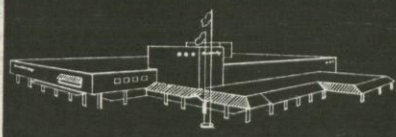
MARSHALL FIELD & COMPANY STORE LOCATIONS



Downtown Chicago Store
111 North State Street, Chicago

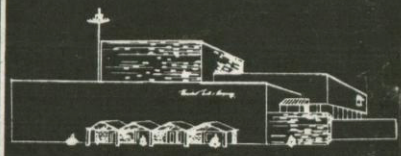


River Oaks
One River Oaks, Calumet City



Old Orchard
One Old Orchard, Skokie

Oakbrook
One Oakbrook Center Mall,
Oak Brook

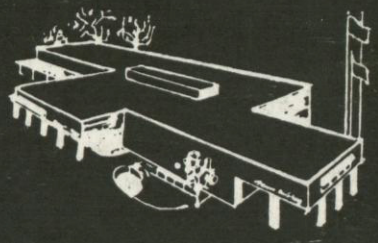


Mayfair
One Mayfair Mall North
Wauwatosa, Wisconsin

Lake Forest
682 North Bank Lane,
Lake Forest

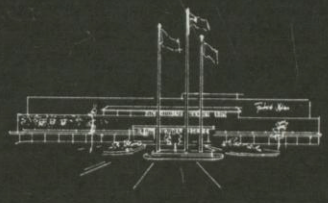
Oak Park
1144 Lake Street, Oak Park

Evanston
1700 Sherman Avenue,
Evanston



Park Forest
333 Plaza, Park Forest

Downtown Seattle Store
5th and Pine Streets, Seattle

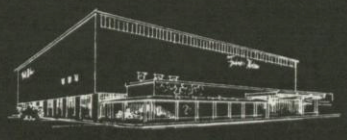


Bellevue Square
Bellevue, Washington

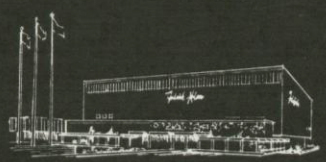
BUYING FACILITIES

New York City
London, England
Paris, France
Frankfurt/Main, Germany
Athens, Greece
Florence, Italy
Barcelona, Spain
Lisbon, Portugal
Tokyo, Japan
Hong Kong
Seoul, Korea
Taipei, Taiwan

COMMERCIAL FURNISHINGS
Contract Sales Division
201 Merchandise Mart, Chicago



Aurora Village
20218
Aurora Village Square North
Seattle



Southcenter
Tukwila, Washington